

HIND RECTIFIERS LIMITED

TRANSCRIPT OF THE 64th ANNUAL GENERAL MEETING OF THE COMPANY HELD ON TUESDAY, THE AUGUST 9, 2022 AT 2:30 PM (IST) THROUGH VIDEO CONFERENCING

Chairman: Good Afternoon Ladies and Gentlemen!

I have great pleasure in welcoming you all to this 64th Annual General Meeting of your Company.

I hope all of you are safe and in good health.

I would like to introduce my colleagues on the Board and senior management who are present with us today. To my left is Mr. V. K. Bhartia, Chairman of the Audit Committee, Nomination and Remuneration Committee, and Stakeholders Relationship Committee. Mr. Suramya Nevatia is the Managing Director & CEO of the Company, Mr. Parimal Merchant, Mr. Vandan Shah, and Mrs. Akshada Nevatia. Unfortunately, some Board Members are unable to attend the meeting due to prior commitments. Mr. Pawan Golayan and Mrs. Ashlesha Bodas could not be present at the meeting. We also have some invitees Mr. A. K. Nemani, CFO, Ms. Meenakshi Anchlia, Company Secretary, Statutory Auditors, and Secretarial Auditors are also present at the meeting.

So I believe Meenakshi, we have the quorum for the meeting.

Company Secretary: Yes Sir. We have over 47 shareholders present for Meeting and can commence the proceedings of the meeting.

Chairman: So kindly commence the meeting, AGM. The meeting is properly constituted, and I call this meeting to order.

So Meenakshi will take over from here.

Company Secretary: Good Afternoon Ladies and Gentlemen!

Welcome to the 64th Annual General Meeting of Hind Rectifiers Limited.

This meeting is being held through VC in accordance with the circulars issued by the MCA, applicable provisions of the Companies Act, and SEBI. The Company has enabled the members to participate in the 64th Annual General Meeting through the VC facility.

In accordance with the provisions of the Companies Act and the SEBI LODR, the members have been provided with the facility to exercise their right to vote by

electronic means both through remote e-voting facility and e-voting at the Annual General Meeting.

Members joining the meeting through a VC facility who have not yet cast their vote by means of remote e-voting may vote through the e-voting facility provided at this Annual General Meeting.

The members who have cast their vote by remote e-voting prior to this meeting shall not be casting their vote once again.

The Board of Directors has appointed Mr. Mahesh Soni, GMJ & Associates as the scrutinizer for this meeting. Based on the report of the scrutinizer, the combined results of remote e-voting and the e-voting done at the meeting today will be announced and displayed on the website of the Company and will also be submitted to the stock exchanges as per the requirements under the SEBI LODR.

The Register of Director's Shareholding, register of contracts, copies of Audited Financial Statements, etc. are available for inspection by the Members. As the AGM is being held through VC, the facility for appointment of proxies with the members was not applicable, and hence the proxy register for inspection is not available.

Thank you very much. With this, I hand over to the Chairman Sir.

Chairman: Dear Shareholder, I believe that the Annual Report has been reviewed for quite some time. And the financial results of the Company have been reviewed by you so I would not like to spend time on the details of the financials for the last year.

I would just like to highlight some of the forward-going issues. The only point I would like to make here is that the first three months of the last year was the second wave of the pandemic and the Company had disrupted operations but with better preparedness, the Company was able to minimize the impact of the same.

Margins still continued to be under pressure because of increased competition and increase raw material and energy prices.

The Company continues to focus its development of new products for Railways and also for other application which are resulted in improved performance despite increased commodity prices and fluctuation in forex. We are also looking at the export of some of our products in the near future. With better monitoring of working capital, the Company was able to reduce interest costs despite the increase in turnover. During the year, I am happy to inform you that the civil work at the new plant at Sinnar has commenced.

Talking about the current year twenty-two twenty-three, some of you may have already seen the results of the first quarter. It was an unfortunate quarter for a variety of reasons. The loss before tax was 3.21 crores as against last year's profit of 2.32 crores and

the immediately preceding quarter's profit of 2.17 crore. The performance during the quarter was adversely affected because of volatility in commodity prices, fluctuation in foreign exchange rate, and shortage of electronic components which is a worldwide phenomenon and beyond the control of the Company.

The Railways continues to be the largest customer during the years 2021 and 2022 and will continue to be so in the current year also. Demand from the non-railways sector is continuing to be increased and I believe that in the future that will pay the way for better performance.

To expand the business, an agreement with MIDC was signed in twenty-one for the Sinnar Nashik plant. The Company has constructed 12,900 square meters and a building completion certificate has been received from MIDC. The required machines are under installation and the Company expects to start production at Sinnar from October 22. The benefits of these new production lines will however be availed in the following years from 24 onwards. The Company continues to focus to expand this product range by way of developing new products in-house.

Considering the orders in hand, present conditions, and various feedback from the Railways, the Company's turnover is likely to increase by about ten percent although the margins may continue to be under pressure.

The Company is taking all the required steps for improving the performance and expects to improve from Q3 onwards and we are optimistic of ending the year profit. With that note, I would like to thank you again for joining this meeting virtually and showing your faith in the Company.

Thank you.

Company Secretary: The statutory auditor Ravi Shah & Associates and the secretarial auditor GMJ & Associates have expressed an unqualified opinion in their respective audit reports for the financial year 21-22. There were no qualifications, observations, or adverse comments on the financial statements and matters which have any material impact on the functioning of the Company. The statutory auditor's report on the financial statement is available on page numbers 68 and 77 of the Annual Report. The secretarial auditor's report is enclosed as Annexure A to the Board's report on page number 15 of the Annual Report.

Thank you. With this, I hand it over to the Chairman sir.

Chairman: The Notice of the 64th Annual General Meeting and the Annual Report, containing Audited Financial Statements for the year ended March 31, 2022, and the Board's and Auditors' Reports, have been sent by electronic mode to those Members whose e-mail addresses are registered with the Company or Depositories. These documents have also been made available on the Company's website. Considering the

above, the Notice is being taken as read along with the Auditors' Report and the entire Annual Report.

I would like now to take up the resolutions as set forth in the Notice. Accordingly, I will now only read out the resolutions. The following items of ordinary resolutions are to be considered at this meeting:

Item No. 1 of the notice: ADOPTION OF ACCOUNTS AND DIRECTORS REPORT AND AUDITORS REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

Item No. 2 of the notice: DECLARATION OF DIVIDEND FOR THE YEAR ENDED MARCH 31, 2022

Item No. 3 of the notice: APPOINTMENT OF DIRECTOR MRS. AKSHADA NEVATIA, WHO RETIRES BY ROTATION AND BEING ELIGIBLE, AND OFFERS HERSELF FOR RE-APPOINTMENT.

Item No. 4 of the notice: APPOINTMENT OF STATUTORY AUDITORS

Item No. 5 of the notice: RATIFICATION OF REMUNERATION TO COST AUDITORS

Item No. 6 of the notice: RELATED PARTY TRANSACTION WITH MR. SAURABH NEVATIA, CHIEF EXECUTIVE OFFICER, NASHIK PLANTS

And one special resolution

Item No. 7 of the notice: RE-APPOINTMENT OF MRS. AKSHADA NEVATIA AS AN EXECUTIVE DIRECTOR AND APPROVAL OF HER REMUNERATION

The text of the resolutions along with the explanatory statement is provided in the Notice circulated to the members.

The e-voting facility will be activated for Members who are participating in this meeting and have not already voted through remote e-voting. This facility will remain active till 15 minutes after the meeting.

I request Meenakshi, Company Secretary to now start the Q & A session and I would request all these speakers to kindly restrict their comments to about two minutes each and all the answers to your queries will be answered collectively at the end of the questions.

Thank you.

Company Secretary: Thank you, Sir.

Some shareholders registered for the Q & A session or express their views. I will call the pre-registered shareholders to come up one by one. Members are requested to unmute their microphones before speaking, and also enable a webcam if they wish to appear on the video. Please mention your name, folio number, and the location from where you are joining. To avoid repetition, the Board will respond to all the questions at the end. Once you have asked your question, you can switch to watching the proceedings.

Now I request Lekha Satish Shah to unmute and proceed with the question. Lekha Satish Shah

Tech SK: Madam, the person with the said name is not connected in this meeting.

Company Secretary: Ok. The next one is Mr. Mahesh Kumar Bubna. Mr. Mahesh Kumar Bubna

Tech SK: Madam, the person with the said name is not connected in this meeting.

Company Secretary: Ok. The next one is Vaibhav Badjatya. Mr. Vaibhav Badjatya

Tech SK: Vaibhav sir can you unmute your audio and ask your question?

Vaibhav Badjatya: Yes Sir

Can everyone listen to me?

Company Secretary: Yes Yes

Vaibhav Badjatya: Ok. Thank you first for providing me with the opportunity to speak at the AGM. So, I had already sent in my questions through email if it's there in front of you it's all right? You can answer them one by one and I, otherwise, I can just repeat it, If it's not there.

MD & CEO: We have noted it and we will respond to them.

Vaibhav Badjatya: And so I would just request that answer each of them separately point by point so that it's easier for me to record. So, thank you. Thank you very much for your consideration.

Company Secretary: Yes, so the next shareholder is Rajat Setiya. Rajat Setiya

Tech SK: Madam we are just unmuting. Rajat Sir, can you unmute yourself and ask your question?

Rajat Setiya: Hell, am I audible? I have already sent questions over the mail if you've got them. You know, I can, and we can go ahead. Otherwise, I can repeat myself.

MD & CEO: No, we have not received your questions.

Rajat Setiya: Okay, then I'll just go through the questions. So what is our current order book and product mix of the order book? What is our capacity utilization in FY 22? And from existing manufacturing plant revenues we can do from existing manufacturing plants, including new plant, what revenues? What kind of revenues can we do? Please help me understand a bit about our new manufacturing plant. The CAPEX that we spent, the revenue potential of the plant, end applications of you know, we will make from here in rotating machines and HVAC. Who will be the clients? What is the margin profile of these products? Say are they going to be the same as the margin profiles of the company that are hovering around? 6-7%? What is our strategy for the export market? What kind of revenue potential do we expect here? Do we sell industrial applications as of now and what is the revenue mix? What is the outlook for the same? What is the business mix from private clients? We have mentioned some of the new products under development for Indian railways, such as Loco propulsion, traction motors, RMPU, 3x130 kva, converters, local Transformers, 4.5 kilowatts regulated battery charger. Can you please help us understand where we are in terms of the development of these products? And what are the timelines for the launch of these products? How many players compete in a usual tender? What is the debt repayment plan? So these are my line of questions, sir. Would request you to answer them.

Thank you,

Company Secretary: Thank you, Sir. Now, I would request the next shareholder Rajendra Jamnadas Sheth

Tech SK: Madam, the person with the said name is not connected in this meeting.

Company Secretary: Ok. The next one is Rohit Vinod Ohri.

Tech SK: Rohit sir can you unmute your video and audio and ask your question?

Rohit Vinod Ohri: Yes, Sir. Am I audible?

Company Secretary: Yes Sir.

Rohit Vinod Ohri: I've already sent a list of queries if you want I can repeat that.

MD & CEO: We have your questions.

Rohit Vinod Ohri: Okay. So apart from that one request is by when we can start the phone call if at all not on a quarterly basis but maybe annual or maybe once a year. That would be something, you know, it will help long-term shareholders like us and it will be beneficial to understand more about the business and the prospects and the, you know, how the future is for the company. And one requests that please answer one by one and please try not to skip the questions. The last question being very important and

is related to the property at Bhandup. Apart from that, I hope that you answer the other questions one by one. Thank you.

Company Secretary: Okay, the next shareholder is Vasudha Vikas Dakwe. Vasudha Vikas Dakwe

Tech SK: Madam, can you unmute and ask your question? Vasudha Ma'am

Vasudha Vikas Dakwe: Hello? Can you hear me Sir?

Company Secretary: Yes

Vasudha Vikas Dakwe: Thank you very much for giving me the opportunity to speak. The Chairman Sir, our Board of Directors and my fellow shareholders, myself Vasudha from Thana.

I would like to congrats our Company Secretary for sending us the soft copy of the reports well in advance which is clearly legible. What is our next two years' Capex plan? Who are our main competitors and please look into the matter of our unclaimed dividend amount which is transferred to the IEPF fund, which is the hard and fast money of the minority shareholders.

With this, I support all the resolutions. Thank you very much and wish the Company all the best for the coming financial year as well as all festivals coming in the month of Shravan and Bhadrapada.

Thank you very much, Sir.

Company Secretary: Thank You, Madam. May I request the next shareholder Mohan Ghanshamdas Chandiramani

Tech SK: The person with the said name is not connected to this meeting.

Company Secretary: Thank you for all the questions. With that, I'll hand it over back to MD Sir & CFO sir

MD & CEO: Thank you Meenakshi Madam.

So, we have noted all the questions that were asked today and have been emailed to us previously.

There are about 25 questions. So, we just go through them one by one.

So the first question regarding the Sinnar plant is. The total investment we've made here, the returns, we expect the capacity, and so on and so forth. So the total area of the Sinnar plant is 26930 square meters. The first phase of construction is 12,930 square

meters, which is already completed. We are at the stage of installation of machines and we expect prototyping to start next month and production to start in October. We expect to exceed 50 crores of new business at Sinnar from next year onwards and maybe the year after that, we could target maybe somewhere around 250 crores. Investment for the new plan has been 32 crores of which 25 was alone for the Capex, but that also includes 5 crores for the existing plant. So, as I mentioned, the readiness of the Sinnar plant has already been informed. The next question is regarding two subsidiaries which we decided to form a couple of months back. Now considering the financial position of the Company, we have decided to defer this decision for now. It is not e-commerce it is more of a marketplace in our segment of industrial and railways and it's a little unique and new application but we'll come back to it once things are better. The next question is regarding the increase of electric Locomotive production, electrification of routes, and Modernization by Railways. What percent of turnover is fetched from the Railways and PSU versus private players? So railway constitutes 90% of our total sales and 10% comes from other private players.

Any orders that we may have one in the past for Vande Bharat? Yes, we have received orders for 750va inverter for Vande Bharat. One train has sixteen sets and we have received the order for one entire train, so sixteen numbers are the order that we have.

The industrial sector has been picking up many international and domestic projects and the power infrastructure sector. What is the order book and what geographies are we looking at? So, apart from focusing on new product development, we are also looking at exports in a big way. We have established an office in Sweden as well that is dedicated to working for export. We are targeting countries like USA and South America, the Asia-Pacific region, and Europe. There are certain roadblocks that we have in terms of certification. So, we are now working to get the C certificate, which is expected in the next few weeks. And the new AS 9000 certificate that we have received recently is for Aerospace. That also helps us in getting more export business.

What are the new products in pipeline and by when will they be launched? So, without getting into the names of the products, I will tell you the sectors in which they are. So primarily for railways, we are working on new product development for rotating applications, refrigeration systems, and for communication and signaling systems. All of these products are expected to be launched this year as soon as from this month onwards. We expect good revenue coming in the year going forward and all these products would be manufactured in bulk from Sinnar.

Product launch and market establishment are big challenges for the Company. What are the efforts in this domain? We actually work with this, primarily for Industrial OEM directly in the field of hydrogen generation, airport systems, and maybe other high-current, instrumentation installations.

What is the total order book as of date? We have a pending order of 363 crores as on date of which 245 crores is executable this year.

So, there is one question regarding the sale of local transformers through Force Motion Technology. What is the rationale for the same? What are the benefits? We quoted through Force Motion Technology to get a breakthrough for these Transformers. We have been able to reduce our material costs by a significant amount by implementing this strategy and getting a new type of component approved by quoting through FMT, since Hirect was not able to quote directly. These are some railway rules that we had to sensitively get through. So that's the reason why we quoted through FMT.

The increasing number of competitors and falling prices are major threats for existing product lines for Hirect. What are the initiatives taken here to mitigate these risks? So yes, there is an increase in the number of competitors. But the railway also has a very high requirement for components this year so it is not possible for any one company to fulfill that requirement. So it is quite comfortable for us to get our share of the business. PVC is applicable on more of mechanical items, like transformers to a certain extent in the electronic, like converters, but not in any other products.

What is the business operation in Sweden? As mentioned earlier it's just a marketing office. There is no manufacturing being done over there.

There's one point, which is regarding to be vigilant about the appointment of directors, women directors, and trying to avoid penalties. Yes, we agree. The criterion was based on the market cap on 31st March, 2020 and it was a little bit challenging at that time to appoint an independent women director. But that went into a dispute, but that's now resolved. So that's fine.

Despite the ongoing challenges, the Company has reported very good growth on the top line. What are the factors which led to the increase in the top line? Which are the Segments, and geographies? Okay. So the top line is due to help the order booking and the aggressive pricing for regular products. We continue to build more and more products to do more value engineering to stay ahead of the competition. And the order booking will continue to increase. Our focus now is now on improving the margins and the bottom line and controlling the raw material costs which can only be done now by value engineering.

Good to see the interest cost of the burden-reducing what is the sustainable debt-equity ratio for which the bandwidth projecting. Debt equity ratio may increase slightly in FY 23 but we aim to have it at not more than 0.75.

Any thoughts on rationalizing the employee cost? Employee cost is actually quite reasonable. It's not too high and it's something that we are comfortable with.

To increase one of the efforts made by the management is to increase EBITDA margins.

To increase the EBITDA margins we are looking at new product development to improve our material cost, which is being done by innovation in design by doing value engineering by doing alternative use of components and new vendor development.

What will be the effective tax rate and are there any benefits in terms of taxation via Sinnar? The effective tax rate is 29.12% and there are really no tax benefits from Sinnar.

So question number 19 bad debts of Rs. 3 crores as compared to 63 lakhs, what are they related to? So these are primarily, although it comes under bad debts, it's actually a new clause by the Railways it's called fall clause where the lower rate has been imposed and that's the primary reason for this bad debt. So, 2.19 crore is this lower rate imposition by the railways.

Can you take us through what are CWIP related to project 2 and project 5? Project 2 is related to propulsion, its loco propulsion project. Project 5 is related to Sinnar expansion. And both projects are expected to be completed in.... within ... before the end of this year.

Question number twenty-one is regarding the Bhandup property. Bhandup property is 5 acres, approximately 20,000 square meters and Dehradun property is 3.11 acres, which is approximately 12600 square meters. Fair market value depends upon various factors. There is time need of the buyer or the seller. At this moment, we have not decided to take any action against the Bhandup plant. Once we do make a firm decision, we will definitely inform the shareholders.

Some questions were raised by Mr. Badjyatya. I'll answer those now.

Can you please name some of the competitors? So competitors are ABB and BHEL, Medha, and Crompton Greaves, primarily these electronic equipment manufacturers in the Railways. Other questions are more or less replied to.

Company has been focusing on new product development for some time. Now, please provide the main products, which are in an advanced stage of development. So, all these details are given in the previous explanation point number 7.

Please provide details on export opportunities. So, we have great export opportunities for industrial products. For railways not too much and we are now supplying we are now working on a new technology within an industry that's called high-frequency power supplies. Great use of this product for hydrogen generation plants and there are huge opportunities for this coming on globally and our Sweden office is addressing that. We expect an export of hopefully reaching maybe one million Euros or at least close to that, this year.

Apart from that, the questions asked today current order book we have answered.

One question regarding capacity utilization so, since we are not a mass production company, we don't have a fixed capacity as such. We can manufacture as per auto requirement. So, that's not really a constraint.

New setup, Capex, I've already answered. Export potential, I have answered.

And, the debt repayment plan, the CFO is here. So Sir, can you take that question? And, if we have any capex for the next 2 years? These two questions Mr. Nemani request you look into these.

Mr. Nemani Can you unmute yourself?

CFO: Somebody to unmute me. Yes. Can you listen me to now all this?

MD & CEO: Yes, yes.

CFO: Yes, Okay. So this year's impact is that we have no plans of paying the payment, in fact, increasing Capex also this year and last year just mentioned around 32 crores is for the Sinnar plant and five crores approximately for the existing plants. Yes. All that I answered. Correct.

MD & CEO: All right. Thank you, Sir. I think with that, all the questions have been answered.

Company Secretary: Yes, Thank you, Sir. So now we can move ahead. Chairman Sir.

Chairman: Thank you MD. We have covered all the questions that were put up by email as well as the person.

The Board of directors has appointed Mahesh Soni, Practicing Company Secretary, as a scrutinizer to supervise the e-voting process. Further, I hereby authorize Meenakshi, the Company Secretary, to declare the results of the voting and place the results on the website of the Company at the earliest. The resolutions as set forth in the notice shall be deemed to be passed today subject to the receipt of the requisite number of votes.

I now declare the proceedings of the Annual General Meeting as completed. As mentioned earlier, the e-voting facility will continue to be available for 15 minutes after this meeting. On behalf of our Board of Directors and management of Hind Rectifiers, I convey our sincere thanks to all the Members for attending and participating in this meeting.

Stay healthy and stay safe.

Take care of your family and be well.

Thank you.

MD & CEO: Thank You.